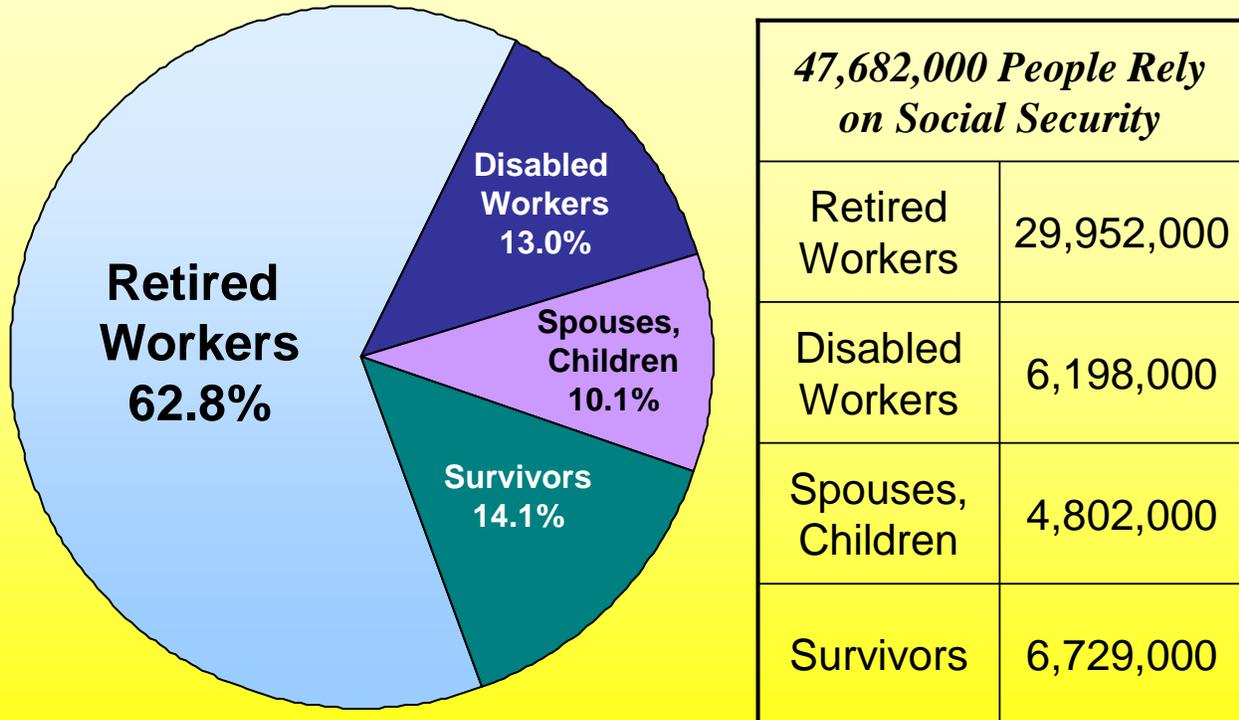


Social Security: Irreplaceable Benefits

One-Third of Social Security Recipients Are Not Retired Workers



Prepared by the Democratic Staff of the House Budget Committee

Source: SSA

5/6/05

President Bush portrays Social Security as a retirement plan that can be replaced with private accounts, but 37% percent of all Americans receiving Social Security benefits are not retired, and “private accounts” do not fit their circumstances. Social Security is social insurance with features no private plan can offer, such as:

- **Spousal Benefits.** Social Security pays supplemental benefits to retired workers’ spouses who stayed home to raise a family and did not participate in the workforce for a good portion of their life. Private accounts do not provide any comparable benefit.
- **Disability Benefits.** Social Security provides cash benefits to disabled workers to replace their lost income, along with Medicare. Social Security also pays benefits to a disabled worker’s dependent children and to a spouse who cares for them. Private accounts do not address disability.
- **Survivor Benefits.** Social Security provides benefits to survivors of workers who die during their working years, paying monthly benefits to their children and surviving spouses taking care of those children. Social Security also provides benefits to aged surviving spouses. Private accounts offer no assurance that dependents will be supported after a worker’s death, unless retirees are required to receive lower monthly benefits during their lifetimes to provide for their spouses after they die.

- ***Benefits Not Available Through Private Investment Programs.*** To obtain comparable survivor and disability benefits, the average worker with two children would have to purchase a \$403,000 life insurance policy *and* a \$353,000 disability insurance policy, and this still would not include comprehensive medical coverage. Social Security is the *only* life and disability insurance that many Americans own, which is one reason it's vitally important to younger workers and their families.
- ***Lifetime Benefits and Inflation Protection.*** Social Security guarantees that retirees will not outlive their benefits and that for as long as they live, their benefits will be adjusted annually to hold them harmless against inflation. Without these annual adjustments, inflation averaging just 3% a year can cut the purchasing power of one's benefits at age 65 by half by the time he or she reaches age 80.
- ***Protection From Market Fluctuations.*** Social Security guarantees retired workers benefits that do not fluctuate with falling stock markets or declining interest rates. Because of market fluctuations, a worker retiring in 2003 with an account invested in stocks would have retired with an account 30 percent smaller than a person with an identical account retiring in 2000.